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*Attorneys, Mediators, and Counselors*

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*M/047/013*  
*\*5/047/063*  
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Phone: (970) 675-5332  
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December 30, 2003

Reply to:  
Vernal Office

DIVISION OF OIL GAS AND MINING  
UTAH DEPARTMENT OF NATURAL RESOURCES  
1594 W NORTH TEMPLE STE 1210  
SALT LAKE CITY UT 84114-5801  
ATTN JOELLE

DEC 31 2003

Dear Division of Oil, Gas & Mining:

We are forwarding to you, herewith, a Reclamation Contract on behalf of Ziegler Chemical & Mineral Corporation for the Ziegler/Cowboy/Bandana mines in Uintah County, Utah and covering your file #M/047/013 for gilsonite.

Also enclosed is Attachment B Mined Land Reclamation Act Surety Bond provided on behalf of Ziegler Chemical & Mineral Corporation as principal with Bond Safeguard Insurance Company as surety together with the Power of Attorney authorizing Tammy D. Henkle signer of the bond on behalf of the surety. The bond is in the amount of \$450,200.00 and is Bond No. 1

Also enclosed is Reclamation Contract, your file #S/047/063 covering the Neal State #1, 2 & 3 at Bonanza, Uintah County, Utah together with Attachment B Mined Land Reclamation Act Surety Bond issued by Bond Safeguard Insurance Company, Bond No. 5006991 covering the Neal State Mines #1, 2 & 3 together with Power of Attorney authorizing Tammy D. Henkle signator of the bond and the Affidavit of Qualification for Bond Safeguard Insurance Company for the bond.

Also enclosed is Attachment B Mined Land Reclamation Act Surety Bond #1 ... your permit file #M/047/013 on behalf of Ziegler Chemical & Mineral Corporation in the amount of \$7,500.00 together with the Power of Attorney authorizing Tammy D. Henkle



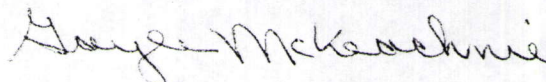
signator of the bond and the Affidavit of Qualification for the bond.

We understand that discussions have been had with Joelle of your office. We request your proper filing and acceptance of these bonds and that a copy of the acceptance be returned to this office for each of the bonds.

Thank you for your cooperation in this matter. If you have questions or concerns regarding these filings, please contact the undersigned or Stephanie McKeachnie at the undersigned's Vernal Office.

Very truly yours,

McKEACHNIE, ALLRED,  
McCLELLAN & TROTTER, P.C.



By: Gayle F. McKeachnie

GFM/th

Enclosures

xc: Ziegler Chemical & Mineral Corporation

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FORM MR-RC  
Revised January 30, 2003  
RECLAMATION CONTRACT

File Number S/047/063  
Effective Date Jan. 13, 2004  
Other Agency File Number ML-47356-03A

**STATE OF UTAH**  
**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION of OIL, GAS and MINING**  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

**RECLAMATION CONTRACT**

---ooOoo---

RECEIVED  
DEC 31 2003

DIVISION OF OIL, GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>S/047/063</u>
(Mineral Mined)	<u>Gilsonite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Neal State # 1, 2 &amp; 3</u>
(Description)	<u>Underground mine located near</u>
	<u>Bonanza UT.</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>4.8</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Ziegler Chemical &amp; Mine Corp.</u>
(Address)	<u>30 Jericho Executive Plaza Ste 300 C</u>
	<u>Jericho NY 11753</u>
(Phone)	<u>(516) 876-0550</u>



"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

McKeachnie & Allred

121 W Main

Vernal UT 84078

(435) 789-4908

"OPERATOR'S OFFICER(S)":

Gordon Ziegler Jr./Pres.

Stan Wagner/Manager Utah Operations

SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Bond Safeguard Insurance

"SURETY AMOUNT":

(Escalated Dollars)

24,000

"ESCALATION YEAR":

2007

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Ziegler Chemical & Mine Corp. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. S/047/063 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.



NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved Notice of Intention and Reclamation Plan received July 10, 1995. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.



7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.



OPERATOR:

ZIEGLER CHEMICAL & MINERAL CORP  
Operator Name

By GORDON S. ZIEGLER, JR  
Authorized Officer (Typed or Printed)

PRESIDENT  
Authorized Officer - Position

[Signature] Date 12/23/03  
Officer's Signature

STATE OF NEW YORK )  
COUNTY OF NASSAU ) SS:

On the 23 day of DEC., 2003, GORDON ZIEGLER  
personally appeared before me, who being by me duly sworn did say that he/she is the  
PRESIDENT/MT. DIR of COMPANY and duly  
acknowledged that said instrument was signed on behalf of said company by authority  
of its bylaws or a resolution of its board of directors and said  
\_\_\_\_\_ duly acknowledged to me that said  
company executed the same.

[Signature]  
Notary Public  
Residing at NASSAU CTY.

My Commission Expires: 2006

JOHN TYSK  
Notary Public, State of New York  
No. 01TY6082004  
Qualified in Nassau County  
Commission Expires Oct. 21, 2006



DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton  
Lowell P. Braxton, Director

Date 1/13/04

STATE OF Utah)  
COUNTY OF Salt Lake) SS:

On the 13<sup>th</sup> day of January, 2004, Lowell P Braxton personally appeared before me, who being duly sworn did say that he, the said Lowell P Braxton is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns  
Notary Public  
Residing at: SLC ut

April 4, 2005  
My Commission Expires:



## ATTACHMENT "A"

Ziegler Chemical & Mineral  
Operator

Neal State #1, 2 & 3  
Mine Name

S/047/063  
Permit Number

Uintah County, Utah

### LEGAL DESCRIPTION

*Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.*

**The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 4.8 acres under the approved permit and surety, as reflected on the attached map labeled \_\_\_\_\_ and dated \_\_\_\_\_:**

N $\frac{1}{2}$  SW $\frac{1}{4}$  SW $\frac{1}{4}$  NW $\frac{1}{4}$

Section 32

Township 11 South Range 24 East



## ATTACHMENT B

FORM MR-6  
Joint Agency Surety Form  
(September 2, 2003)

Bond Number \_\_\_\_\_  
Permit Number S/047/063  
Mine Name Neal State #1, 2&3  
Other Agency File Number ML47356-OBA

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas and Mining  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940

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### THE MINED LAND RECLAMATION ACT

DEC 31 2003

### SURETY BOND

\*\*\*\*\*

The undersigned Ziegler Chemical & Mineral Corp., as Principal, and Bond Safeguard Insurance Company, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) and the School Institutional Trust Lands Administration, in the penal sum of Twenty-four Thousand dollars (\$ 24,000).

Principal has estimated in the Mining and Reclamation Plan or Notice approved or accepted by the Division of Oil, Gas and Mining on the 10 day of August, 20 1995, that 4.8 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved / accepted Mining and Reclamation Plan or Notice and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan or Notice provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Notice, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan or Notice provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the



expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

ZIEGLER CHEMICAL & MINERAL CORP  
Principal (Permittee)

GORDON S. ZIEGLER, JR PRESIDENT  
By (Name and Title typed):

[Signature]  
Signature

12/23/03  
Date

**Surety Company**

Bond Safeguard Insurance Company  
Surety Company Name

1919 S. Highland Ave. A-300  
Street Address

Tammy D. Henkle  
Surety Company Officer

Lombard, IL 60148  
City, State, Zip

Attorney-In-Fact/Underwriting Manager  
Title/Position

630-495-9380  
Phone Number

[Signature]  
Signature

November 26, 2003  
Date

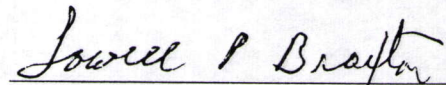


Page 3  
MR-6 Joint Agency Surety Bond  
Attachment B  
(revised September 2, 2003)

Bond Number \_\_\_\_\_  
Permit Number S/047/063  
Mine Name Neal State #1,2&3  
Other Agency File Number ML47356-OBA

SO AGREED this 13 day of January, 20 04.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

  
\_\_\_\_\_  
Lowell P. Braxton, Director  
Utah State Division of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.



Bond Number \_\_\_\_\_  
Permit Number S/047/063  
Mine Name Neal State #1, 2, & 3  
Other Agency File Number ML47356-OBA

### AFFIDAVIT OF QUALIFICATION

On the 26th day of November, 20 03, Tammy D. Henkle personally appeared before me, who being by me duly sworn did say that he/she, the said Bond Safeguard Insurance Company is the Attorney-In-Fact of Bond Safeguard Insurance Company and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Tammy D. Henkle duly acknowledged to me that said company executed the same, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: [Signature]  
Surety Officer

Title: Attorney-In-Fact/Underwriting Manager

STATE OF Illinois )  
COUNTY OF St. Clair ) ss:

Subscribed and sworn to before me this 26th day of November, 2003



[Signature]  
Notary Public  
Residing at: Darien, IL

My Commission Expires:

8/22, 20 05



POWER OF ATTORNEY

# Bond Safeguard INSURANCE COMPANY

KNOW ALL MEN BY THESE PRESENTS, that **BOND SAFEGUARD INSURANCE COMPANY**, an Illinois Corporation with its principal office in Lombard, Illinois, does hereby constitute and appoint:

Tammy D. Henkle, or Shelly R. Satek

William W. Hector, Michael E. Bruce,

its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surety, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of **BOND SAFEGUARD INSURANCE COMPANY** on the 7th day of November, 2001 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$500,000.00, Five Hundred Thousand Dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Vice President, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificata so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, **BOND SAFEGUARD INSURANCE COMPANY** has caused this instrument to be signed by its President, and its Corporate Seal to be affixed this 7th day of November, 2001.



**BOND SAFEGUARD INSURANCE COMPANY**

BY

David E. Campbell  
President

### ACKNOWLEDGEMENT

On this 7th day of November, 2001, before me, personally came David E. Campbell to me known, who being duly sworn, did depose and say that he is the President of **BOND SAFEGUARD INSURANCE COMPANY**, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.



Janet L. Coppock  
Notary Public

### CERTIFICATE

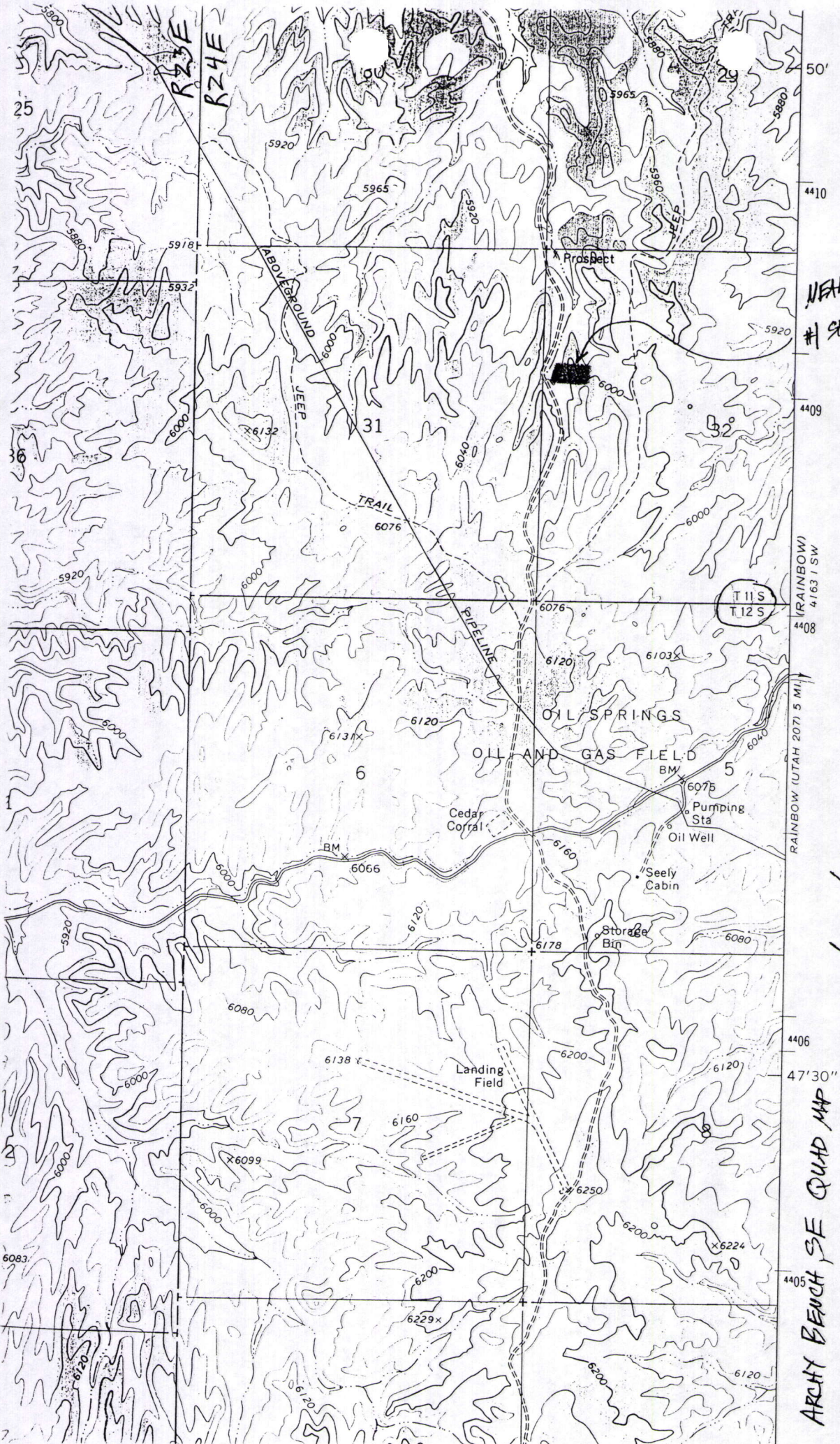
I, the undersigned, Secretary of **BOND SAFEGUARD INSURANCE COMPANY**, An Illinois Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the foregoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Sealed at Lombard, Illinois this 26th Day of November, 2003



Donald D. Buchanan  
Secretary





NEAL #1  
#1 SHAFT SITE

5/04/7/063

ARCHY BENCH, SE QUAD MAP